

CITY OF CENTRAL FALLS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2010

WITH
INDEPENDENT AUDITORS' REPORT

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2010

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CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2010

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City of Central Falls
Central Falls, Rhode Island

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents to this report. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Central Falls, Rhode Island as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City of Central Falls will continue as a going concern. As described in Note 15, on May 19, 2010 the City filed a Petition for Appointment of Receiver with the Superior Court of the State of Rhode Island (the State) citing fiscal insolvency due to revenue shortfalls, state budget cuts, and unaffordable collective bargaining agreements and pension obligations. On June 11, 2010, the Rhode Island General Assembly passed "An Act Relating to Cities and Towns-Providing Financial Stability" (the Act) which provides for State intervention in the finances of municipalities in fiscal distress. In response to the Act, the City negotiated a Consent Order with the State and withdrew its petition with the Court. On July 16, 2010, in accordance with the terms of the Act, the State's Director of the Department of Revenue appointed a Receiver with the authority to exercise any function or power of any municipal officer of the City. The City's receivership, the recurring operating deficits, deficit fund balance, unfunded pension liabilities and unfunded other post-employment benefits raise substantial doubt about its ability to continue as a going concern. The Receiver's plans regarding these matters also are described in Note 15 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Boston
Newton
Taunton
Concord

The Management's Discussion and Analysis, Schedule of Funding Progress for Pension Plan, and Budgetary Comparison Schedule for the General Fund on pages 3 through 10 and 43 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central Falls, Rhode Island's basic financial statements. The Combining and Individual Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Braver PC". The signature is written in a cursive, flowing style.

Providence, Rhode Island
February 16, 2011

February 16, 2011

To the Citizens of the
City of Central Falls,
Rhode Island

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2010

This discussion and analysis of the City of Central Falls financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. This is the City's eighth (8th) year reporting in accordance with the provisions of GASB Statement No. 34. Please read this document in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The auditor's report for 2010 expresses an unqualified (i.e. "clean") opinion on the financial statements of the City of Central Falls. The City's basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

The Government-Wide Statement of Net Assets indicates that the City's total net assets worsened for the third consecutive year to a negative \$22,044,762, reflecting a decrease of \$5,177,943 over FY2009.

The Government-Wide Statement of Activities indicates that the City's total general revenues of \$15,145,136 combined with additional program revenues of \$3,756,847 less program expenses of \$24,079,926, resulted in a decrease of \$5,177,943 in total net assets from a year ago.

The Governmental Fund Financial Statements indicate that the ending fund balance for the City's general fund was a deficit of \$2,111,785, reflecting a decrease of \$2,342,595 to the FY2009 fund balance.

The Financial Statements

The financial statements presented herein include all the activities of the City of Central Falls using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City of Central Falls from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City of Central Falls as well as all liabilities (including long term debt). Additionally, certain eliminations have occurred as prescribed by the statement about interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities - governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are reported in the City's trust and agency funds. Agency funds, unlike the City's pension trust funds, do not have a measurement focus and only require a balance sheet. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

Overview of the Financial Statements Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City of Central Falls as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most companies in the private-sector. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are indicators of whether the City's financial health is improving or deteriorating.

GASB Statement No. 34 defines the accounting terms found in the Statement of Net Assets and the Statement of Activities as follows:

Governmental Activities

This category identifies the costs of City's various functions/programs in providing services to the public (i.e. general government, public safety, public works, etc.). The City's aggregate costs of providing these services are then offset by the state, federal and private grants, which provide additional funds that serve to reduce the City's costs of providing these same services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the reporting entity as a whole. Although some funds are established by local ordinance, management often creates other funds to help control and manage certain revenues, grants and other sources of funds. These funds are generally earmarked for specific purposes and management must be able to demonstrate that it is meeting certain legal responsibilities often required by the provider.

Governmental Funds

Most of the City's services are reported on governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements compared to those in the Government-Wide financial statements are explained in the reconciliation schedule following the Governmental Fund financial statements.

Proprietary Funds

Business-like activities, such as providing water or sewer services, to the general public are done so through enterprise funds, which are financed primarily by user charges. The City of Central Falls has no enterprise funds. Services of this type have historically been provided to Central Falls residents through regional boards and commissions located outside of the City.

At one time all account transaction activity pertaining to the City's workers compensation claims was recorded in an internal service fund. The City of Central Falls no longer has any internal service funds, since insurance coverage is now purchased annually from a private insurer and the City no longer self-insures.

Fiduciary Funds

The City of Central Falls is the trustee, or fiduciary, for certain funds held on behalf of the beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's Government-Wide Financial Statements, because the City cannot use these assets to finance operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the Government-Wide and Governmental Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as, the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general fund.

Government-Wide Financial Analysis

In this, the eighth (8th) year of implementation of the provisions of GASB Statement No. 34, the City continues to provide certain disclosures and compares them to prior year financial statements. In the sections that follow, a comparative analysis is provided between current year and prior year information.

As noted earlier, the total net assets for the City of Central Falls have decreased by \$5,177,943 over the prior year's balance. This decrease is first identified in the change in net assets as recorded in the Statement of Activities and then flows through the Statement of Net Assets. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses and total assets are presented in the Statement of Activities and Changes in Net Assets.

Net assets for the City of Central Falls for the fiscal year ended June 30, 2010 were:

	Net Assets	
	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 10,235,214	\$ 6,063,286
Capital assets	<u>25,014,520</u>	<u>25,341,994</u>
Total Assets	<u>35,249,734</u>	<u>31,405,280</u>
Current liabilities	4,224,223	3,921,598
Long-term liabilities	<u>53,070,273</u>	<u>44,350,501</u>
Total Liabilities	<u>57,294,496</u>	<u>48,272,099</u>
Net Assets:	\$(22,044,762)	\$(16,866,819)
Invested in capital assets, net of debt	\$ 9,187,618	\$ 9,515,092
Restricted	7,175,387	2,985,454
Unrestricted	<u>(38,407,767)</u>	<u>(29,367,365)</u>
Total Net Assets	\$ (22,044,762)	\$ (16,866,819)

This year the City of Central Falls continues to report positive balances in two (2) areas of net assets. Invested in capital assets, net of related debt amounts is the amount of \$9,187,618 and restricted net assets amount to \$7,175,375. The negative balance of \$38,407,767 in unrestricted net assets is mostly attributable to the City's net pension obligation of \$27,318,891 in the Police and Fire Private Pension Plan (John Hancock) and other post employment benefits (health insurance) for retired employees, \$1,453,547.

As indicated in the Statement of Activities, the total cost of governmental activities for the year ended June 30, 2010 was \$24,079,926. This amount was substantially offset, in that some of the costs (i.e. \$3,756,847) were paid by federal, state and private grants and entitlements.

Program and General Revenues

	<u>2010</u>	<u>2009</u>
Charges for services		
General government	\$ 1,422,603	\$ 887,885
Public safety	78,124	1,316,090
Public works	<u>0</u>	<u>7,088</u>
Total	<u>\$ 1,500,727</u>	<u>\$ 2,211,063</u>

Total revenue received for charges and services in 2010 was \$1,500,727, a decrease of \$710,336 as compared to the amount received in 2009, which was equal to \$2,211,063.

	<u>2010</u>	<u>2009</u>
Operating Grants and Contributions		
General government	\$ 1,378,747	\$ 809,804
Public safety	550,414	217,253
Public works	8,420	45,813
Public recreation	<u>96,395</u>	<u>87,948</u>
Total	<u>\$ 2,033,976</u>	<u>\$ 1,160,818</u>

Total revenue received from Operating Grants and Contributions in 2010 was \$2,033,976 an increase of \$873,158 as compared to the amount received in 2009, which was equal to \$1,160,818.

	<u>2010</u>	<u>2009</u>
Capital Grants and Contributions		
Capital outlays	<u>\$ 222,144</u>	<u>\$ 0</u>
Total	<u>\$ 222,144</u>	<u>\$ 0</u>

Total revenue received from Capital Grants and Contributions in 2010 was \$222,144, an increase of \$222,144 as compared to the amount received in 2009, \$0.

	<u>2010</u>	<u>2009</u>
Total Program Revenues	<u>\$ 3,756,847</u>	<u>\$ 3,371,881</u>
General Revenues		
Property taxes	\$ 10,548,712	\$ 10,392,152
Grants and contributions (unrestricted)	3,822,314	4,544,796
Investment earnings	38,027	126,137
Loss on sale of assets	(143,920)	199,489
Miscellaneous	<u>880,003</u>	<u>881,832</u>
Total General Revenues	<u>\$ 15,145,136</u>	<u>\$ 16,144,406</u>

General revenues in 2010 were \$15,145,136, which reflects a decrease of \$999,270, as compared to the amount received in 2009, \$16,144,406.

Total Government-Wide Revenues \$ 18,901,983 \$ 19,516,287

Total Government-Wide Revenues in 2010 were \$18,901,983, a decrease of \$614,304 as compared to the amount received in 2009, which was equal to \$19,516,287.

Statement of Activities

Program Expenses	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost Services 2009	Net Cost of Services 2009
General Government	\$ 3,263,095	\$ 461,745	\$ 3,531,210	\$ 1,833,521
Public Safety	7,211,017	6,582,479	7,171,004	5,637,661
Public Works	1,666,599	1,658,179	1,678,913	1,626,012
Public Education	1,431,466	1,431,466	1,450,386	1,450,386
Public Recreation	747,088	650,693	741,716	653,768
Contingency	181,675	181,675	58,917	58,917
Employee Benefits	3,597,259	3,597,259	3,709,266	3,709,266
Retirement	4,941,099	4,941,099	4,524,220	4,524,220
Capital Outlays	-	(222,144)	207,260	207,260
Debt Service Interest	1,040,628	1,040,628	1,101,902	1,101,902
Total Expenses	\$ 24,079,926	\$ 20,323,079	\$ 24,174,794	\$ 20,802,913

The City's total program expenses were \$24,079,926. With additional program revenues of \$3,756,847 in FY 2010, the City's net cost of services was \$20,323,079. When subtracted from the City's total general revenues of \$15,145,136, the City realizes an unfavorable Change in Net Assets of \$5,177,943. Last year in FY 2009 the City realized an unfavorable Change in Net Assets of \$4,658,507.

Transfers

Inter-fund transfers for the year ended June 30, 2010 totaled \$249,023 for the year.

Financial Analysis of the City's Funds – Governmental Fund Statements

Statement of Changes in Fund Balances – Governmental Funds

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ (2,111,785)	\$ 230,810	\$(2,342,595)
Channel One	127,351	34,242	93,109
School Construction	3,900,008	495,757	3,404,251
Other Governmental	<u>3,148,028</u>	<u>2,455,455</u>	<u>692,573</u>
Total	\$5,063,602	\$ 3,216,264	\$ 1,847,338

The fund balance for the City of Central Falls general fund reflects a deficit of \$2,111,785, as of June 30, 2010. Decreased revenues (and other sources) in addition to expenditures (and other uses) amounted to \$(2,342,595), a 900% decrease over the prior year fund balance of \$230,810.

General Fund Revenues	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
General property taxes	\$10,356,688	\$10,327,644	\$29,044	0.3%
Interest and investment income	28,345	82,676	(\$54,331)	-65.7%
Intergovernmental	3,822,314	4,544,796	(\$722,482)	-15.9%
Fees / Non-tax income	776,008	901,019	(\$125,011)	-13.9%
Departmental revenue	638,195	1,310,044	(\$671,849)	-51.3%
Other revenues	221,429	434,648	(\$213,219)	-49.1%
Total	<u>\$15,842,979</u>	<u>\$17,600,827</u>	<u>(\$1,757,848)</u>	<u>-10.0%</u>

Analysis

The total decrease in the City's general fund balance, \$2,342,595, under modified accrual was the result of the following:

Revenues from general property taxes increased by \$29,044 or .3%, as compared to the previous year. All other sources of revenues decreased, reflecting a total decrease of 10.0% or \$1,757,848. Interest and investment income decreased by \$54,331, reflecting a continuing decline in interest rates. Intergovernmental revenues received from the State of Rhode Island declined by \$722,482 or 15.9% as compared to last year, resulting from a continued decline in state aid. Local fees and non-tax income also declined by \$125,011 or 13.9%. Because the boarding up of abandoned properties program was put on hold, departmental revenues declined to \$638,195, reflecting a decrease of \$671,849 from FY2009. Other revenues indicate a substantial reduction of \$213,219 (-49.1%) in total, due to non-payment of funds from the Central Falls Prison Authority. Costs for services rendered have not yet been paid, nor do we expect payment, from the facility.

Total expenditures for the general fund in FY2010 were \$18,434,597, reflecting an increase in spending of \$224,151 or 1.2%, as compared to FY2009. As a matter of policy, the City's minimum fund balance is 5% of the general fund total operating budget.

The following table displays a comparison of revenues and expenditures "budget to actual" for the general fund, as reported on a budgetary basis and required by the City Charter.

General Fund Budgetary Comparison Schedule – June 30, 2010

Revenue Analysis	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Tax revenue	\$10,528,296	\$10,528,296	\$10,395,210	(\$133,086)
Fees/Non-tax revenue	897,100	897,100	804,353	(92,747)
State revenue	4,134,328	4,134,328	3,822,314	(312,014)
Departmental revenue	312,000	312,000	865,411	553,411
Other Income	1,908,514	1,908,514	243,236	(1,665,278)
Sub-Total	<u>\$17,780,238</u>	<u>\$17,780,238</u>	<u>\$16,130,524</u>	<u>(\$1,649,714)</u>
Expense Analysis				
General government	\$1,732,275	\$1,732,275	\$2,018,950	(\$286,675)
Public safety	5,853,321	5,853,321	6,819,303	(965,982)
Public works	1,244,556	1,244,556	1,305,526	(60,970)

Public education	208,935	208,935	196,924	12,011
Public recreation	406,604	406,604	323,215	83,389
Municipal debt service	2,488,336	2,488,336	2,595,815	(107,479)
Contingency	165,182	165,182	246,675	(81,493)
Employee benefits	4,436,917	4,436,917	3,597,259	839,658
Retirement	1,244,112	1,244,112	1,260,318	(16,206)
Major purchases	-	-	70,612	(70,612)
Sub-Total	\$17,780,238	\$17,780,238	\$18,434,597	(\$654,359)

Other Governmental Funds

Other governmental funds consist of:

<u>Fund Type</u>	<u>Total Net Assets</u>	<u>Note</u>
Special Revenue	\$ 2,250,940	Proceeds from specific revenue sources, restricted in use Resources restricted for certain acquisition and construction Earnings and principle may be used to achieve fund objectives
Capital Projects	757,414	
Expendable Trust	139,674	
Total	\$ 3,148,028	

It should be noted that the Central Falls School District is a component unit of the State of Rhode Island. Separately issued financial statements are prepared and may be obtained from the Rhode Island Department of Education.

Pension Trust Funds

<u>Pension Fund</u>	<u>Total Net Assets</u>	<u>Note</u>
Police/Fire (1%)	\$ 1,268,132	Established in 1925 for employees hired prior to July 1972 Police and fire employees hired after July 1, 1972
John Hancock	6,805,880	
Total	\$ 8,074,012	

Total net assets of the City's pension trust funds amount to \$8,060,477 in 2010, a decrease of \$674,075 compared to FY2009, resulting from a decrease in investments. Although the City adopted a definitive funding plan in 2007, the City has not made contributions in two (2) years, which is significantly less than the actuary's required contribution (ARC). Thus, the City continued to sell assets in the John Hancock pension fund during FY2010 to meet current obligations and pay pension benefits to recipients. According to the City's most recent actuarial studies, the combined unfunded actuarial accrued liability (UAAL) for the pension fund and post-employment benefits is \$78.6 million, including \$46.6 million for the pension fund as of June 30, 2010 (\$13.0 million for police and fire retirees hired prior to July 1972 and \$33.6 million for police and fire retirees hired after July 1, 1972) and \$32.0 million for post-employment benefits as of July 1, 2009.

Debt Administration

At year end total long-term debt for the City of Central Falls was \$53 million. The breakdown is as follows:

	2010		2009	
City's net pension obligation (NPO)	\$ 27,318,891	51.5%	\$ 24,522,605	53.1%
Bonded indebtedness (for school purposes)	13,740,000	25.9%	9,865,000	21.4%
Bonded indebtedness (for municipal purposes)	8,275,000	15.6%	8,555,000	18.5%
Liability for compensated absences	1,926,782	3.6%	2,097,545	4.5%
Other municipal debt (including capital leases)	356,053	0.7%	593,499	1.3%
Other post employment benefits	1,453,547	2.7%	569,052	1.2%
Total	\$ 53,070,273	100%	\$ 46,202,701	100%

The City's underlying credit rating was recently reviewed by Moody's Investors Service on December 22, 2010 and Standard & Poor's Ratings Services on March 25, 2010. Moody's affirmed a B3 general obligation rating. Standard & Poor's revised their rating from CC to R, regulatory supervision.

Capital Assets

The City of Central Falls has \$25,014,520 invested in capital assets, net of depreciation. Only capitalized assets with an original cost of \$5,000 or greater, are included. The straight-line/unrecovered cost method was used to calculate annual depreciation.

Since July 1, 2001 infrastructure assets, such as sidewalks, water mains, drainage systems and road improvements, acquired by the City have been capitalized and reported within the financial statements. All pre-existing infrastructure assets (such as sidewalks, curbs, drainage systems and road improvements) have been added and began appearing in the City's financial statements for the period ending June 30, 2007.

Independent Audit

State statutes and the City Charter require an annual audit by independent certified public accountants. The accounting firm of Braver PC provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2010. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' reports related specifically to the single audit are contained in a separate document.

Receivership

On May 19, 2010 the City filed a Petition for Appointment of Receiver with the Rhode Island Superior Court citing fiscal insolvency due to revenue shortfalls and state budget cuts, along with unaffordable collective bargaining agreements and pension obligations. On the same day, a Superior Court judge appointed Jonathan Savage, Esq. as temporary receiver of the City with oversight over all of the City's assets, effects, property and business ("Judicial Receiver").

On June 11, 2010 the State General Assembly passed Chapter 24/27 of the Public Laws of 2010 entitled "An Act Relating to Cities and Towns -- Providing Financial Stability" and codified as R.I.G.L. § 45-9-1 *et seq.* (the "Act"), providing a mechanism for State intervention in the finances of municipalities in financial distress including, but not limited to, review of such finances and possible control by the state Department of Revenue. The Act applied retroactively to May 15, 2010. In response to the Act, the City and State negotiated a Consent Order which was filed with the state Superior Court on June 18, 2010. The City withdrew its Petition for Appointment of Receiver and, in accordance with the terms of the Act, entered into a transition period during which control of the City's finances would shift from the Temporary Receiver to a non-judicial state-appointed receiver.

On July 16, 2010, the state Director of Revenue appointed retired Superior Court Judge Mark Pfeiffer, Esq. as receiver of the City (the "State Receiver"). Under the provisions of the Act, the State Receiver has the authority to exercise any function or power of any municipal officer of the City and the power to file for bankruptcy.

Acknowledgements

The preparation of this report was made possible by the conscientious efforts provided by the entire Finance staff. I appreciate their hard work and dedication throughout this endeavor.

In closing, I would like to express my appreciation to the Receiver's Office and the employees of the City, specifically, the Finance Department staff, for their collective support in conducting the financial affairs of the City of Central Falls.

Respectfully submitted,

Ellen V. Eggeman, Ed.D.
Finance Director

Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,882,335
Restricted cash held in escrow	3,900,008
Due from federal and state governments	1,018,158
Accounts receivable, net	1,291,136
Other receivables, net	85,135
Prepaid expenses	8,575
Other assets	49,867
Capital assets (non-depreciable), net	670,850
Capital assets (net of depreciation), net	24,343,670
TOTAL ASSETS	35,249,734
LIABILITIES	
Accounts payable	1,508,004
Accrued interest payable	242,673
Accrued expenses	641,903
Unearned revenue	1,831,643
Current portion of long-term liabilities	1,498,902
Net pension obligation	27,318,891
Net OPEB obligation	1,130,254
Long-term liabilities (net)	23,122,226
TOTAL LIABILITIES	57,294,496
NET ASSETS	
Invested in capital assets, net of related debt	9,187,618
Restricted for other purposes	7,035,713
Restricted for permanent trusts	
Expendable	101,686
Non-expendable	37,988
Unrestricted	(38,407,767)
TOTAL NET ASSETS	\$ (22,044,762)

Statement of Activities
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,263,095	\$ 1,422,603	\$ 1,378,747		\$ (461,745)
Public safety	7,211,017	78,124	550,414		(6,582,479)
Public works	1,666,599		8,420		(1,658,179)
Public education	1,431,466				(1,431,466)
Public Recreation	747,088		96,395		(650,693)
Contingency	181,675				(181,675)
Employee benefits	3,597,259				(3,597,259)
Retirement	4,941,099				(4,941,099)
Capital outlays	-			\$ 222,144	222,144
Debt service interest	1,040,628				(1,040,628)
Totals	\$ 24,079,926	\$ 1,500,727	\$ 2,033,976	\$ 222,144	(20,323,079)

General revenues:

Property taxes	10,548,712
Grants and contributions not restricted to specific programs	3,822,314
Investment earnings	38,027
Gain (loss) on sale of assets	(143,920)
Miscellaneous	880,003

Total general revenues 15,145,136

Change in Net Assets (5,177,943)

Net Assets - beginning 16,866,819

Net Assets - ending \$ (22,044,762)

See Notes to Financial Statements

CITY OF CENTRAL FALLS

B - 1

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	Channel One	School Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 973,020	\$ 2,174		\$ 2,907,141	\$ 3,882,335
Restricted cash held in escrow			\$ 3,900,008		3,900,008
Due from federal and state governments	305,874	38,697		673,587	1,018,158
Accounts receivable, net	1,291,136				1,291,136
Other receivables, net	82,495	2,640			85,135
Prepaid expenses	8,575				8,575
Due from other funds	1,788,602	1,537,763		607,026	3,933,391
TOTAL ASSETS	\$ 4,449,702	1,581,274	3,900,008	\$ 4,187,754	\$ 14,118,738
LIABILITIES AND FUND BALANCES (DEFICITS)					
<i>Liabilities:</i>					
Accounts payable	\$ 1,325,914	\$ 14,404		\$ 167,686	\$ 1,508,004
Accrued expenses	641,903				641,903
Due to other funds	2,032,445	1,337,503		563,443	3,933,391
Unearned revenue	2,561,225	102,016		308,597	2,971,838
TOTAL LIABILITIES	6,561,487	1,453,923	-	1,039,726	9,055,136
FUND BALANCES (DEFICITS):					
Reserved for property taxes to be collected in a subsequent year	150,941				150,941
Unreserved, undesignated, reported in General fund	(2,262,726)				(2,262,726)
Special revenue funds		127,351		2,250,940	2,378,291
Capital project funds			3,900,008	757,414	4,657,422
Permanent trust funds				139,674	139,674
TOTAL FUND BALANCES (DEFICITS)	(2,111,785)	127,351	3,900,008	3,148,028	5,063,602
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 4,449,702	\$ 1,581,274	\$ 3,900,008	\$ 4,187,754	

Amounts reported for governmental activities in the statement of net assets differ because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	25,014,520
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(53,070,273)
Unearned revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets	1,140,195
Deferred bond issuance costs and other debt charges resulting from issuance of bonds. These charges have been included in the statement of net assets.	49,867
Accrued interest on long-term liabilities have been included in the governmental activities in the Statement of Net Assets	(242,673)
Net Assets of Governmental Activities (A-1)	\$ (22,044,762)

**Statement of Revenues, Other Financing Sources, Expenditures,
Other Financing Uses and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010**

	General Fund	Channel One	School Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 10,356,688				\$ 10,356,688
Interest and investment income	28,345	\$ 735		\$ 8,947	38,027
Intergovernmental	3,822,314	271,863		1,984,257	6,078,434
Fees/Non-tax income	776,008	86,524			862,532
Departmental revenue	638,195				638,195
Other revenues	221,429	366,746		291,828	880,003
Total Revenues	15,842,979	725,868	\$ -	2,285,032	18,853,879
EXPENDITURES					
Current:					
General government	2,018,950	632,759		583,990	3,235,699
Public safety	6,819,303			186,507	7,005,810
Public works	1,305,526				1,305,526
Public education	196,924				196,924
Public recreation	323,215			76,441	399,656
Contingency	246,675				246,675
Employee benefits	3,597,259				3,597,259
Retirement	1,260,318				1,260,318
Debt Service:					
Principal and interest	2,595,815				2,595,815
Capital:					
Capital and special appropriations	70,612		1,099,992	992,255	2,162,859
Total Expenditures	18,434,597	632,759	1,099,992	1,839,193	22,006,541
Excess of revenues over (under) expenditures before transfers	(2,591,618)	93,109	(1,099,992)	445,839	(3,152,662)
Other financing sources/uses					
Proceeds from issuance of bonds			5,000,000	-	5,000,000
Transfers in	249,023			-	249,023
Transfers out	-			(249,023)	(249,023)
Net other sources/uses	249,023	-	5,000,000	(249,023)	5,000,000
Excess (deficiency) of revenues and other sources over expenditures and other financing uses	(2,342,595)	93,109	3,900,008	196,816	1,847,338
Fund balance - beginning of the year	230,810	34,242	-	2,951,212	3,216,264
Fund balance (deficit) - end of the year	\$ (2,111,785)	\$ 127,351	\$ 3,900,008	\$ 3,148,028	\$ 5,063,602

**Reconciliation of the Statement of Revenues, Other Financing Sources,
Expenditures, Other Financing Uses and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds (B-2)	\$ 1,847,338
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period.	(327,474)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.	(6,867,572)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	192,024
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(22,259)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<u>\$ (5,177,943)</u>

CITY OF CENTRAL FALLS

C - 1

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,222,742	\$ 32,220
Investments:		
Equity securities	2,166,407	
Group annuity contracts	4,621,113	
Other receivables	63,512	
Accrued interest receivable	238	
TOTAL ASSETS	<u>\$ 8,074,012</u>	<u>\$ 32,220</u>
LIABILITIES	<u>13,535</u>	<u>\$ 32,220</u>
NET ASSETS <i>Held in Trust for pension benefits</i>	<u>\$ 8,060,477</u>	

See Notes to Financial Statements

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010**

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions	\$ 1,538,290
Investment income	869,624
Other income	32,982
DEDUCTIONS:	
Trust expenses	3,114,971
CHANGE IN NET ASSETS	<u>(674,075)</u>
Net Assets - beginning	8,734,552
Net Assets - ending	<u><u>\$ 8,060,477</u></u>

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Central Falls was founded in 1895. The City is governed largely under the Home Rule Charter, which was revised on June 19, 2007. In some matters, including the issuance of short and long-term debt, the City is governed by the general laws of the State of Rhode Island. The City operates under a Mayor/City Council form of Government and provides the following services as authorized by its charter: Public Safety (police, fire, traffic safety, inspections, zoning and building) Public Works (recreation, sanitation, highway and streets, engineering and building maintenance) Public Recreation, and General Administrative Services. The Central Falls School District is a component unit of the State of Rhode Island.

The City complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of Inter-fund activity has been eliminated from the government-wide financial statements.

Recently Issued Accounting Standards

The following new accounting pronouncements were implemented in the year ended June 30, 2010:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the City's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the City's fiscal year ending June 30, 2010.

The City will adopt the following new accounting pronouncements in future years:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the City's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, full implementation effective for the City's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the City's fiscal year ending June 30, 2011.

The impact of these pronouncements on the City's financial statements has not been determined.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and

- is able to impose its will on the potential component unit and/or
- is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

The following entity was considered for classification as a component unit for fiscal year 2010:

- Central Falls Redevelopment Agency

Although this entity meets certain criteria of the tests previously listed, it is deemed not to have separate legal status apart from the City. As a result, the financial data of the above entity has been included as non-major special revenue funds within the City's financial statements.

- Central Falls Housing Authority
- Central Falls School District
- Central Falls Detention Facility Corporation

Since these entities do not meet any one of the above three tests, they have not been included in the financial reporting entity.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Permanent Funds

The Permanent Funds account for assets held by the City pursuant to trust agreements. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes two agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Highway clothing

Pension Trust Funds

Pension trust funds are used to account for resources legally held in trust for the payment of pension benefits.

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

	<u>Fund</u>	<u>Brief Description</u>
Major:		
	General:	See above for description
	Capital:	School Construction
	Special Revenue:	Channel One
	Proprietary Fund:	See above for description
Non-Major:		
Special Revenue Funds:		CDBG Revolving, CDBG 2003, CDBG 2004, CDBG 2005, CDBG 2006, CDBG 2007, CDBG 2008, CDBG 2009, UDAG Revolving Loan Fund, Home, ED, EDI Community Center, RI Department of Transportation, Grant In Aid, Champlin Grant, RI Foundation, Recreation Summer Lunch Program, Community Activities, Community Policing, Police C.A.R.E., DARE Program, Animal Control, Police Special Accounts, JAG Grant, Kennedy Grants, Zoning Account, Fire Equipment, Fire Prevention, Public Rescue, Capital School Reserve, Homeland Security, Rural Grants, Emergency Equipment Replacement, Recycling Account, Police Vehicle Maintenance, Cops Grant, Byrne Grant.
Capital Project Funds:		Property Development, Recreation Capital, Capital Reserve, Capital Lease, Obama Roads, \$10 Million Muni Bond.
Permanent Funds:		Lysander Flag Memorial Fund, Historic Trust.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The City considers property taxes as available if they are collected within 60 days after year end.
- (b) The proprietary fund and pension trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation.

Budgets

Budgets are adopted in accordance with Home Rule Charter requirements. Annual appropriated budgets are adopted for the general fund. Generally annual appropriations lapse at fiscal years end. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at years end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years.

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. Substantially, all of the City's cash and cash equivalents are held in public deposit institutions, except for \$1,300 in unsecured petty cash.

Investments

The City invests in various types of investments, which are stated at fair value. There are no investments reported at amortized cost. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible property taxes amounted to 711,480 at June 30, 2010. Major receivable balances for the governmental activities include property taxes (94% of balance) and other receivables (6% of balance).

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Accounts Payable

Payable balances consist primarily of payables to vendors.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property Taxes

The City is permitted by State Law to levy property taxes. The City's property taxes are levied on July 1 on assessed value of property as listed on the previous December 31. Taxpayers have an option to pay quarterly installments. Property taxes attach as an enforceable lien on real and personal property as of the date of assessment. Taxes assessed on motor vehicles and trailers represent an excise tax and do not constitute a lien. Uncollected property taxes are stated at the amounts originally assessed and do not include interest or penalties which may be assessed at the time of collection. The tax rate of the city is established by the City Council. Property tax revenues are recorded in accordance with the modified accrual basis of accounting. In May 2002, the City Council passed an ordinance authorizing the levy of a non-utilization penalty tax in accordance with RI General Laws Chapter 44-5.1.

Deferred Financing costs

Deferred financing costs incurred in connection with bonds payable are amortized on the straight-line basis over the terms of the related debt.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of five years.

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) acquired by the City have been capitalized and reported within the financial statements.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land	Not depreciated
Construction in progress	Not depreciated
Buildings and land improvements	20 years
Motor vehicles	5 years
Equipment	5 years
Infrastructure	20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenues

Funds that are received in advance of being due or receivables which will be collected and included in revenues of future fiscal years are deferred. In the general fund, unearned revenues relate to property tax receivables which are assessed on December 31.

Interfund Transactions

Interfund activity within and among the funds of the City have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Interfund transfers totaled \$249,023 for the year, representing transfers to the general fund from Public Rescue (\$227,216) and Recreation School Lunch Program (\$21,807) non-major funds.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination of death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to record this liability if it is expected to be liquidated with expendable available resources.

(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$53,070,273 difference are as follows:

Bonds payable	\$ 22,015,000
Net pension benefit obligation.....	27,318,891
Net other post-employment benefit obligation	1,453,547
Compensated absences	1,926,782
Claims payable	195,000
Capital lease payable.....	<u>161,053</u>
 Total	 <u>\$ 53,070,273</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$327,474 difference are as follows:

Capital outlays (net of disposals).....	\$ 2,186,195
Depreciation expense	<u>(2,513,669)</u>
 Net adjustment.....	 <u>\$ (327,474)</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$6,867,572 difference are as follows:

Debt increased.....	\$(8,680,781)
Principal repayments	<u>1,813,209</u>
 Net adjustment.....	 <u>\$(6,867,572)</u>

Another element of that reconciliation states that “Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$22,259 difference are as follows:

Change in accrued interest and bond issuance costs	<u>\$22,259</u>
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(CONTINUED)

CITY OF CENTRAL FALLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of Government-wide and Fund Financial Statements (Continued)

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$192,024 difference are as follows:

Deferred revenue - beginning	\$ (948,171)
Deferred revenue - ending	<u>1,140,195</u>
Net difference	<u>\$ 192,024</u>

2. BUDGETARY AND LEGAL COMPLIANCE

Budgets

All agencies of the City submit requests for appropriation to the City's finance director. These requests include information on the past years, current year's estimates and requested appropriations for the next fiscal year.

No later than forty-five days prior to the end of the fiscal year, the Mayor submits the proposed budget for public review. The City's Council holds public hearings and may reallocate appropriations but may not add to, subtract from or change the form of the budget.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to preserve that portion of the applicable appropriation, is employed in the General Fund Budget. Open encumbrances are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, expenditures exceeded budget at the department level as follows:

<u>Department</u>	<u>Excess</u>
Mayor	\$ 21,174
Personnel	\$ 2,040
Legal	\$ 235,586
Tax Assessor	\$ 1,567
Finance	\$ 47,817
Fire Department	\$ 453,492
Municipal Court	\$ 904
Code Enforcement	\$ 720,413
Highway	\$ 127,589
Recreation	\$ 13,054
Planning	\$ 1,667
Debt Service	\$ 107,479
Contingency	\$ 81,493
Retirement	\$ 16,206
Major Purchases	\$ 70,612

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

Bonds and Notes Escrow System

The Rhode Island, General Assembly, when creating the Central Falls Review Commission, authorized an escrow system to receive and hold revenues to pay bonds, notes and related interest. At June 30, 2010, the fund had a balance of \$1,710. In accordance with state law, the Central Falls Review Commission was inactivated in October 2000, after the City met the statutory requirements of: (1) completing a period of three consecutive fiscal years in which no operating deficit had been incurred; and (2) the City's total debt no longer exceeded one hundred percent (100%) of the City's revenues from its own sources.

Maximum Aggregate Indebtedness

The City's legal debt limit as set forth by Rhode Island General Law 45-12-2 is limited to three percent of total assessed property value. As of June 30, 2010, the city was in compliance with this law.

3. DEPOSITS AND INVESTMENTS

Deposits

Deposits are in various financial institutions and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and includes \$1,300 of petty cash.

At June 30, 2010, the carrying amount of the City's deposits was \$5,137,297 and the bank balance was \$5,410,466, of which \$1,615,148 was covered by federal depository insurance. The City has entered into collateralization agreements with various financial institutions and as a result, the remaining \$3,795,318 of the uninsured balance at June 30, 2010 was collateralized by securities held by the financial institutions and/or third parties in the name of the City.

Restricted Cash Held in Escrow

Restricted cash held in escrow of \$3,900,008 represents cash held in escrow with a bank to be used for School Construction Project,

Investments

At June 30, 2010 the City's investments totaled \$6,787,520 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Equity securities	\$2,166,407	n/a	n/a	n/a
Group annuity contracts	\$4,621,113	n/a	n/a	n/a

Interest Rate Risk

As noted above, the City's investments are held primarily in group annuity contracts and equity securities. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2010 the City had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although the investments were held in group annuity contracts, equity securities and corporate bonds, these investments were in a wide range of companies and various industries enabling the City to minimize its risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the City's deposits and/or investments may not be returned. The City does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the City. The City also ensures that all deposits be placed in financial institutions that are FDIC insured up to \$250,000 and rated "well capitalized".

4. FIXED ASSETS

Activity for governmental activity capital assets is summarized below:

	Balances <u>June 30, 2009</u>	Additions	Deletions	Balances <u>June 30, 2010</u>
Governmental activity fixed assets:				
Land (not being depreciated)	\$ 698,540	\$ -	\$ 27,690	\$ 670,850
Buildings and land improvements	37,626,358	1,585,768	149,731	39,062,395
Motor vehicles	3,349,050	356,247	431,353	3,273,944
Equipment	1,486,733	283,920	87,023	1,683,630
Construction In Progress	116,230	-	116,230	-
Infrastructure	12,202,235	104,180	-	12,306,415
Total cost	<u>55,479,146</u>	<u>2,330,115</u>	<u>812,027</u>	<u>56,997,234</u>
Less: accumulated depreciation				
Buildings and land improvements	(15,719,357)	(1,835,222)	(149,731)	(17,404,848)
Motor vehicles	(2,773,054)	(321,209)	(431,353)	(2,662,910)
Equipment	(914,684)	(255,550)	(87,023)	(1,083,211)
Infrastructure	(10,730,057)	(101,688)	-	(10,831,745)
Total accumulated depreciation	<u>(30,137,152)</u>	<u>(2,513,669)</u>	<u>(668,107)</u>	<u>(31,982,714)</u>
Net fixed assets	<u>\$ 25,341,994</u>	<u>\$ (183,554)</u>	<u>\$ 143,920</u>	<u>\$ 25,014,520</u>

Infrastructure assets, (such as sidewalks, curbs, drainage systems, and road improvements) have been capitalized and reported within the financial statements.

Depreciation expense was charged to the following functions/programs of the City:

Governmental activities:	
General government	\$ 198,159
Public safety	372,463
Public works	361,073
Public education	1,234,542
Public recreation	347,432
Total	<u>\$2,513,669</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

5. UNEARNED REVENUES

General Fund unearned revenues relate to revenue that is measurable but not available. General Fund unearned revenues are summarized as follows:

Property taxes receivable, net	\$1,291,136
Less: current year 60 day accrual	(150,941)
Total unearned tax revenue	<u>\$1,140,195</u>

General fund unearned revenue also includes \$1,421,030 of 2010 tax levy (fiscal 2011 revenue) collected during fiscal year ended June 30, 2010.

6. NOTES PAYABLE

On July 2, 2009 the City of Central Falls entered into \$4,000,000 of Tax Anticipation Notes (TAN) with interest rate of 2.82%. These notes matured and were repaid on June 30, 2010.

<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2010</u>
<u>\$0</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$0</u>

7. LONG-TERM DEBT

General Obligation Bonds and Other Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Schedule of long-term debt by purpose is as follows:

	<u>Amount</u>	<u>Percent</u>
General obligation bonds	\$ 7,250,000	14%
General obligation municipal bonds	8,275,000	16%
General obligation refunding bonds	275,000	0%
RIHEBC revenue bonds	6,215,000	12%
Capital Leases	161,053	0%
Claims	195,000	0%
Net pension obligation	27,318,891	51%
Other post employment benefits	1,453,547	3%
Compensated absences	1,926,782	4%
Total	<u>\$53,070,273</u>	<u>100%</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

7. LONG-TERM DEBT (Continued)

General Obligation Bonds and Other Debt (Continued)

Schedule of long-term bond and lease requirements:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 1,233,902	\$ 1,100,962	\$ 2,334,864
2012.....	1,563,747	1,092,882	2,656,629
2013.....	1,605,685	1,008,469	2,614,154
2014.....	1,662,719	920,722	2,583,441
2015.....	1,670,000	830,198	2,500,198
2016-2020.....	9,205,000	2,644,039	11,849,039
2021-2025.....	3,080,000	790,675	3,870,675
2026-2028.....	2,155,000	137,575	2,292,575
Total.....	<u>\$22,176,053</u>	<u>\$8,525,522</u>	<u>\$30,701,575</u>

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Vehicles and equipment.....	\$1,135,410
Other assets	104,080
Less: accumulated depreciation	<u>(1,239,490)</u>
Total	<u>\$ 0</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending June 30:</u>	
2011	\$ 46,854
2012	44,855
2013	44,855
2014	<u>44,855</u>
Total minimum lease payments.....	181,419
Less: amount representing interest.....	<u>20,366</u>
Present value of minimum lease payments	<u>\$161,053</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

7. LONG-TERM DEBT (Continued)

General long-term debt consists of the long-term liabilities that are not recorded as fund liabilities. Amounts are as follows:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2010</u>	<u>Current Portion</u>
General obligation bonds	7/15/1999	5/15/2020	\$ 12,000,000	5.0%-6.25%	\$ 7,805,000		\$ 555,000	\$ 7,250,000	\$ 580,000
General obligation refunding bonds	8/15/2003	11/15/2010	4,595,000	0.95%-3.35%	805,000		530,000	275,000	275,000
General obligation municipal bonds	10/1/2007	7/15/2027	8,700,000	4.0%-5.5%	8,555,000		280,000	8,275,000	290,000
RIHEBC revenue bonds	8/15/2007	4/1/2027	1,300,000	4.25%-5.00%	1,255,000		40,000	1,215,000	50,000
RIHEBC revenue bonds	6/29/2010	4/1/2020	750,000	5.39%	-	750,000		750,000	-
RIHEBC revenue bonds	6/30/2010	4/1/2020	4,250,000	6.00%	-	4,250,000		4,250,000	-
Capital leases	10/25/2004	10/25/2009	600,000	3.24%	127,772		127,772	-	-
Capital leases	4/29/2006	4/29/2011	10,182	8.25%	4,226		2,226	2,000	2,000
Capital leases	4/10/2009	7/5/2013	201,501	5.00%	201,501		42,448	159,053	36,902
Total bonds and leases					18,753,499	5,000,000	1,577,446	22,176,053	1,233,902
Claims payable					260,000		65,000	195,000	65,000
Accrued compensated absences					2,097,545		170,763	1,926,782	200,000
Net pension obligation					24,522,605	2,796,286		27,318,891	
Other Post-Employment Benefits					569,052	884,495		1,453,547	
Total long-term debt					\$ 46,202,701	\$ 8,680,781	\$ 1,813,209	\$ 53,070,273	\$ 1,498,902

Total interest paid on general long-term debt for the year ended June 30, 2010 was approximately \$906,000.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2010 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 451,099
	Channel One	<u>1,337,503</u>
		<u>1,788,602</u>
Channel One	General Fund	<u>1,537,763</u>
Non-major Governmental Funds	General Fund	494,682
	Non-major Governmental Funds	<u>112,344</u>
		<u>607,026</u>
		<u>\$ 3,933,391</u>

9. FUND BALANCES (DEFICITS)

Reserves/Designated Fund Balances (Deficits)

The City of Central Falls records several types of reserves. The reserves indicate that a portion of fund equity is segregated for a specific use.

	<u>General Fund</u>	<u>Trust Funds</u>
Reserved:		
Reserved for nonexpendable bequests		\$ 139,674
Reserved for pension benefits		8,060,477
Reserved for property taxes to be appropriated in subsequent years	\$ 150,941	
Unreserved, undesignated (deficit)	<u>(2,262,726)</u>	
Total	<u>\$(2,111,785)</u>	<u>\$ 8,200,151</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. EMPLOYEE RETIREMENT SYSTEMS

The City participates in the statewide Municipal Employees' Retirement System of Rhode Island, an agent multiple-employer Public Employee Retirement System (PERS), which covers substantially all of the City's employees except police officers and firefighters.

The City also provides retirement benefits for police officers and firefighters through its participation in two single-employer defined pension plans, which are reported as pension trust funds.

Municipal Employees' Retirement System of Rhode Island

Plan Description

The City's defined benefit pension plan, Municipal Employee's Retirement System of the State of Rhode Island (MERS), provides retirement and disability benefits, annual cost-of-living adjustments, death and disability benefits to plan members and beneficiaries. MERS is an agent multiple-employer Public Employee Retirement System that acts as a common investment agent for participants. The Municipal Employee's Retirement System of the State of Rhode Island issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Rhode Island Employee Retirement Board, 40 Fountain Street, Providence, RI 02903, or by accessing their website a www.ersri.org.

Funding Policy

MERS members are required to contribute 6.0% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 8.91% of annual covered payroll. The contribution requirements of plan members and the City are established annually and may be amended by State Statute.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employee's Pension Plan with a valuation date of June 30, 2009, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$5,212,157
Actuarial Accrued Liability	\$6,656,557
Unfunded (excess) actuarial accrued Liability	\$1,444,400
Funded Ratio	78%
Annual Covered Payroll	\$2,446,693
UAAL (excess) as percentage of payroll	59%

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Municipal Employees' Retirement System of Rhode Island (Continued)

Annual Pension Cost

For 2010, the City's annual pension cost of \$206,631 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal cost method with frozen initial liability. Significant actuarial assumptions included (a) a net investment return of 8.25 percent compounded annually, (b) projected salary increases at an annual service related component plus a 3% inflation component compounded annually, (c) 3 percent per year cost-of-living adjustments, (d) mortality rates based on the 1994 Uninsured Pensioner Mortality Table and (e) a retirement age of 60 or completion of service requirements, if later. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized over a closed amortization period of 30 years. As of June 30, 2007 there were 22 years remaining.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$206,631	100%	\$0
6/30/09	\$183,695	100%	\$0
6/30/08	\$208,771	100%	\$0

Police and Fire Private Pension Plan (John Hancock)

Plan Description

All full-time non-civilian police and fire employees are eligible and must participate in the private pension plan administered by John Hancock Financial Services, Inc., if hired after July 1, 1972. All civilian police and fire employees are covered by the MERS, noted above. The pension plan provides pension benefits, as well as disability and death benefits. A member may retire after accumulating 20 years of service with the City. Benefits vest after 5 years of service. Employees with 20 years of service are entitled to pension payments equal to 50% of their final base salary for life. They can accrue an additional 2% per year for up to 5 years and then 1% per year thereafter, not to exceed 65% for 30 years of service. The final salary is the salary of the employee during the final year of full-time employment inclusive of base wages, longevity and holiday pay. After retirement, the benefit increases by the same percentage as the salary of an active participant of the same rank.

As of June 30, 2010, employee membership data related to the pension plans is as follows:

Active membership	76
Retirees and beneficiaries	79

Pension provisions include disability and death benefits. Upon the death of a retired police officer or firefighter, 67½ percent of the benefits being paid will continue to their dependent spouse and/or children under age 18.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost method. Employees of the City are required to contribute 7% of their gross earnings to the pension plan. For the year ended June 30, 2010, employee contributions were \$277,972. The City is required to contribute at an actuarially determined rate; the current rate is 99% of annual covered payroll.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police and Fire Private Pension Plan with a valuation date of June 30, 2010, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$ 6,516,889
Actuarial Accrued Liability	\$40,109,123
Unfunded (excess) actuarial accrued Liability	\$33,592,234
Funded Ratio	16.2%
Annual Covered Payroll	\$ 3,289,330
UAAL (excess) as percentage of payroll	1,021%

Annual Pension Cost and Net Pension Obligation

For 2010, the City's annual required contribution was \$2,573,298 for the Police and Fire Pension Plan and actual employer and net pension obligation contributions were \$0. The annual required contribution includes \$727,181 of normal cost, \$185,086 of interest and \$1,661,031 of amortization of unfunded actuarial accrued liability. The required contribution was determined as part of the July 1, 2010 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) a net investment return of 7.75 percent compounded annually, (b) projected salary increases of 3 percent compounded annually, (c) 2.5 percent per year cost-of-living adjustments, (d) mortality rates based on the RP-2000 mortality table projected to 2006 using scale AA with 10-year setback for disableds. and (e) retirement after the earlier of age 55 and 10 years of service or age 50 and 20 years of service. Unfunded actuarial accrued liability is being amortized using the weighted average method over a 30 year period assuming a 3 percent per year increase. As of June 30, 2010, there are 22 years remaining.

Annual Pension Cost and Net Obligation

The City's annual pension cost and net pension obligation for the year ended June 30, 2010 was as follows:

Annual required contribution	\$ 2,573,298
Interest on net pension obligation	1,876,393
Adjustment to annual required contribution.....	<u>(1,653,578)</u>
Annual pension cost.....	2,796,113
Contributions made	<u>(0)</u>
Increase in net pension obligation.....	2,796,113
Net pension obligation, June 30, 2009.....	<u>24,211,526</u>
Net pension obligation, June 30, 2010.....	<u>\$27,007,639</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. EMPLOYEE RETIREMENT PLAN (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$2,796,113	0.00%	\$27,007,639
6/30/09	\$2,694,855	0.00%	\$24,211,526
6/30/08	\$2,298,214	46.48%	\$21,516,671

City Police and Fire Pension Fund (1%)

All police officers and firefighters of the City hired prior to 1972 who have not elected to participate in the City's Police and Fire Pension Fund are covered by a private pension plan which is a cost-sharing single employer plan. Certain retired municipal employees and former employees with vested benefits are also covered by the plan.

Plan Description

The City Police and Fire Pension Fund was established by the Public Laws of Rhode Island, 1925, and was effective for all police and firefighters hired prior to July, 1972.

As of June 30, 2010, employee membership data related to the pension plan is as follows:

Active membership	0
Retirees and beneficiaries	57

The pension plan provides pension benefits, as well as disability and death benefits. A police officer is eligible for retirement at age 65, while a firefighter may retire after accumulating 20 years of service with the City. Benefits vest after 5 years of service. Employees eligible for retirement benefits are entitled to pension payments equal to 50% of their final base salary for life. They can accrue an additional 2% per year for the next 5 years and then 1% per year for the next five years thereafter, not to exceed 65% for 30 years of service. The final salary is the salary of the employee during the final year of full-time employment inclusive of base wages, longevity and holiday pay. After retirement, the benefit increases by the same percentage as the salary of an active participant of the same rank.

Funding Policy

Periodic employer contributions to the pension plan for fiscal year ended June 30, 2010 were determined on an actuarial basis using the entry age normal cost method. The normal cost is funded on a current basis. The Rhode Island 1925 law established the employee's contribution at 1% of their annual salary. The City is required to contribute at an actuarially determined rate. Total contributions made during fiscal year 2010 amounted to \$1,260,318 of which \$1,260,318 was contributed by the City and \$0 by employees.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

10. EMPLOYEE RETIREMENT PLAN (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the City Police and Fire Pension Fund (1%) with a valuation date of July 1, 2010, which is the most recent report available from the State who administers this plan.

Actuarial Value of Assets	\$ 1,251,926
Actuarial Accrued Liability	\$14,218,372
Unfunded (excess) actuarial accrued Liability	\$12,966,446
Funded Ratio	8.8%
Annual Covered Payroll	\$0
UAAL (excess) as percentage of payroll	N/A

Annual Pension Cost and Net Pension Obligation

For 2010, the City's annual pension cost was \$1,260,491 for the City Police and Fire Pension Plan and actual contributions were \$1,260,318. The required contribution was determined as part of the July 1, 2010 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions included (a) a net investment return of 7.5 percent compounded annually, (b) 2.5 percent per year cost-of-living adjustments, (c) mortality rates based on the mortality rates based on the RP-2000 mortality table projected to 2006 using scale AA with 10-year setback for disabled and (e) a retirement age of 65 for police officers and age of 60 for firefighters. Unfunded actuarial accrued liability is being amortized over a 15 year period assuming 3% per year increase.

The City's annual pension cost and net pension obligation for the year ended June 30, 2010 was as follows:

Annual required contribution	\$1,265,866
Interest on net pension obligation	23,331
Adjustment to annual required contribution.....	<u>(28,706)</u>
Annual pension cost.....	1,260,491
Contributions made	<u>(1,260,318)</u>
Increase (decrease) in net pension obligation	173
Net pension obligation, June 30, 2009.....	<u>311,079</u>
Net pension obligation, June 30, 2010.....	<u>\$ 311,252</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$1,260,491	100.0%	\$ 311,252
6/30/09	\$1,260,313	100.8%	\$ 311,079
6/30/08	\$1,273,212	100.2%	\$ 321,390

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. POST RETIREMENT BENEFITS

Plan Description

The City's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health insurance program. The City provides lifetime health care and life insurance benefits to substantially all retired employees and their spouses. Health care benefits were paid to 121 employees during fiscal year June 30, 2010. These benefits are provided through three provider groups which are exclusively for retirees. Any changes to these provisions are subject to the City's approval. The plan does not issue a separate report.

Funding Policy

The City's funding policy provides for actuarially determined periodic contributions to the plans at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. Municipal retirees are required to contribute 10% of the health care cost between ages 62 to 65, and 100% of the premium prior to age 62. Police Officers and Firefighters receive free coverage at retirement. Coverage reverts to COBRA for 36 months upon death of the member, or until the spouse reaches age 65, whichever occurs first. The annual OPEB cost was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit funding method. The actuarial assumptions included a 4.5% unfunded discount rate and the RP-2000 Combined Mortality Table projected to 2010 using scale AA.

The City adopted GASB 45 prospectively during fiscal year ended June 30, 2009. The available trend information is presented below.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$2,029,301	71.6%	\$1,453,547
6/30/2009	\$1,963,061	71.0%	\$ 569,052
6/30/2008	N/A	N/A	N/A

The City's annual OPEB cost and net OPEB obligation for the year ended June 30, 2010 was as follows:

Annual required contribution.....	\$2,027,948
Interest on net OPEB obligation	25,607
Adjustment to annual required contribution	<u>(24,254)</u>
Annual OPEB cost (expense).....	2,029,301
Contributions made	<u>(1,144,806)</u>
Increase in net OPEB obligation.....	884,495
Net OPEB obligation-beginning of year	<u>569,052</u>
Net OPEB obligation-end of year.....	<u>\$1,453,547</u>

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. POST RETIREMENT BENEFITS (Continued)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
07/01/09	0	\$32,011,503	\$32,011,503	0%	N/A	N/A
07/01/08	0	\$30,693,955	\$30,693,955	0%	N/A	N/A

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level percentage of pay over thirty years based on an open group. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City has been named, along with another municipality, in a claim involving a wrongful death. The plaintiff is seeking \$2.2 million. The City has also been named in a suit regarding the application of the tangible tax statute. The plaintiff is seeking \$300,000. The outcome of these lawsuits is not presently determinable, and accordingly has not been recorded in the accompanying financial statements.

The City is involved in various other pending suits. The outcome of these lawsuits is not presently determinable, although, in the opinion of the City's attorneys, the amount of actual or potential claims is not expected to have a material effect on the City's financial statements.

The City has entered into various agreements with an independent contractor for emergency property preservation services of abandoned and vacant properties within the City. Payment to this contractor is contingent upon the satisfaction of the City's liens against these properties. Should these liens become uncollectible, the services provided by the contractor may constitute a liability of the general fund. However, the City expects the liens to be ultimately collectible, and expects potential claims resulting from these agreements, if any, to be immaterial.

(CONTINUED)

CITY OF CENTRAL FALLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

13. RISK MANAGEMENT

The City of Central Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the City participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the City signed a participation agreement which outlines the rights and responsibilities of both the Trust and the City. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its Members. Under the participation agreement, the City is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust Coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2010.

14. SUBSEQUENT EVENTS

On November 3, 2010 the City of Central Falls issued \$1,500,000 of tax anticipation notes with interest rate of 6.0%. These notes mature on June 30, 2011.

15. GOING CONCERN

On May 19, 2010 the City filed a Petition for Appointment of Receiver with the Superior Court of the State of Rhode Island (the State) citing fiscal insolvency due to revenue shortfalls, state budget cuts, and unaffordable collective bargaining agreements and pension obligations. On June 11, 2010, the Rhode Island General Assembly passed "An Act Relating to Cities and Towns-Providing Financial Stability" (the Act) which provides for State intervention in the finances of municipalities in fiscal distress. In response to the Act, the City negotiated a Consent Order with the State and withdrew its petition with the Court. On July 16, 2010, in accordance the terms of the Act, the State's Director of the Department of Revenue appointed a Receiver with the authority to exercise any function or power of any municipal officer of the City. The City's receivership, the recurring operating deficits, deficit fund balance, unfunded pension liabilities and unfunded other post - employment benefits raise substantial doubt about its ability to continue as a going concern. On December 14, 2010, the Receiver issued a report that, among other things, discusses the City's current financial situation and the existing structural problems that will result in projected future deficits in fiscal years 2012 through 2016, unless action is taken at the State and local level. The plan of action includes stabilizing the budget for fiscal year 2011 using a variety of methods and seeking an appropriation from the Rhode Island General Assembly to subsidize fiscal year 2012 while permanent solutions and reforms to the City's structural problems are developed and executed. The ability of the City to continue as a going concern is dependent on achieving this plan. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(CONCLUDED)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRAL FALLS**Schedule of Funding Progress (Unaudited)****June 30, 2010****Schedule of funding progress for the Municipal Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
6/30/2009	\$ 5,212,157	\$ 6,656,557	\$ (1,444,400)	78.3%	\$ 2,446,693	(59.0%)
6/30/2008	\$ 4,950,358	\$ 6,406,664	\$ (1,456,306)	77.3%	\$ 2,683,177	(54.3%)
6/30/2007	\$ 4,375,243	\$ 6,249,573	\$ (1,874,330)	70.0%	\$ 3,041,044	(60.4%)

Schedule of funding progress for the Police and Fire Private Pension Plan (John Hancock)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
7/1/2010	\$ 6,516,889	\$ 40,109,123	\$ (33,592,234)	16.2%	\$ 3,289,330	(1,021.25%)
7/1/2008	\$ 10,791,609	\$ 35,701,111	\$ (24,909,502)	30.2%	\$ 3,504,388	(710.81%)
7/1/2006	\$ 10,909,756	\$ 31,509,376	\$ (20,599,620)	34.6%	\$ 3,383,361	(608.85%)

Schedule of funding progress for the Police and Fire Pension Plan (1%)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
7/1/2010	\$ 1,251,926	\$ 14,218,372	\$ (12,966,446)	8.8%	\$ -	N/A
7/1/2008	\$ 1,210,773	\$ 15,038,189	\$ (13,827,416)	8.1%	\$ 57,393	(24,092.51%)
7/1/2006	\$ 1,146,741	\$ 15,738,443	\$ (14,591,702)	7.3%	\$ 56,506	(25,823.28%)

Schedule of funding progress for the Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as percentage Of Covered Payroll ((a-b)/c)
7/1/2009	\$ -	\$ 32,011,503	\$ (32,011,503)	0%	N/A	N/A
7/1/2008	\$ -	\$ 30,693,955	\$ (30,693,955)	0%	N/A	N/A

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Tax revenue				
Tax revenue (current year)	\$ 10,228,296	\$ 10,228,296	10,094,959	\$ (133,337)
Tax revenue (prior years)	300,000	300,000	300,251	251
Total tax revenue	10,528,296	10,528,296	10,395,210	(133,086)
Fees / Non-tax revenue				
Interest on taxes	200,000	200,000	234,263	34,263
City clerk fees	-	-	350	350
VIN check fees	1,500	1,500	1,020	(480)
Probate fees	8,500	8,500	11,958	3,458
Realty Stamps	100,000	100,000	63,083	(36,917)
Real Estate Recordings	85,000	85,000	84,681	(319)
Licenses	75,000	75,000	71,776	(3,224)
Marriage Licenses	1,000	1,000	976	(24)
Certificates	12,000	12,000	8,254	(3,746)
Reports/copying fees	2,500	2,500	1,997	(503)
Constable fees	-	-	65	65
Micellaneous	14,000	14,000	10,433	(3,567)
Fingerprinting	300	300	86	(214)
Fire code inspections	7,300	7,300	5,361	(1,939)
Other fire permits	2,000	2,000	-	(2,000)
Certificates of occupancy	4,000	4,000	5,125	1,125
Hazardous material permits	1,750	1,750	1,300	(450)
Building permits	60,000	60,000	25,356	(34,644)
Plumbing permits	18,000	18,000	19,892	1,892
Electrical permits	16,000	16,000	16,382	382
Traffic fines	200,000	200,000	180,443	(19,557)
District court	1,500	1,500	1,589	89
Library fines	250	250	49	(201)
Dog officer fines (Animal Control Fines)	2,500	2,500	2,650	150
Investment interest	50,000	50,000	28,345	(21,655)
RI Traffic Tribune	12,000	12,000	11,554	(446)
Municipal Court Fees	2,000	2,000	-	(2,000)
Administrative Fees	5,000	5,000	16,560	11,560
Code Enforcement Fees	15,000	15,000	805	(14,195)
Total fees/non tax revenue	897,100	897,100	804,353	(92,747)
State revenue				
Federal Revenue	-	-	4,869	4,869
General Revenue Sharing	250,000	250,000	-	(250,000)
MV Phase out	1,478,058	1,478,058	1,240,546	(237,512)
Distressed Comm. Aid	289,687	289,687	289,685	(2)
Miscellaneous state aid	-	-	54,558	54,558
Telephone tax	166,194	166,194	204,938	38,744
Hotel/Meal tax	88,353	88,353	88,173	(180)
Police/fire incentive	20,057	20,057	-	(20,057)
School Housing aid	1,818,784	1,818,784	1,935,545	116,761
Non Profit Organizations	21,195	21,195	-	(21,195)
Emergency Management	2,000	2,000	4,000	2,000
Total state revenue	4,134,328	4,134,328	3,822,314	(312,014)
Departmental revenue				
Scrap metal	3,000	3,000	231	(2,769)
Prop preservation revenue	60,000	60,000	622,182	562,182
Code Court Fees	5,000	5,000	-	(5,000)
Misc. departmental revenue	10,000	10,000	5,683	(4,317)
Public works	9,000	9,000	5,276	(3,724)
Rescue runs	225,000	225,000	232,039	7,039
Total departmental revenue	312,000	312,000	865,411	553,411

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Other income				
Restitution	1,200	1,200	980	(220)
Lease/rental income	4,200	4,200	-	(4,200)
Athletic fees	-	-	300	300
Local revenue	13,514	13,514	13,514	-
Housing authority	56,974	56,974	59,493	2,519
Detention center	1,200,000	1,200,000	-	(1,200,000)
Misc. other revenue	45,032	45,032	114,237	69,205
Surplus sales	1,000	1,000	10	(990)
Special revenue	375,000	375,000	27,853	(347,147)
Federal revenue	211,594	211,594	26,849	(184,745)
Total other income	1,908,514	1,908,514	243,236	(1,665,278)
Total revenues	17,780,238	17,780,238	16,130,524	(1,649,714)
GENERAL GOVERNMENT				
Mayor				
Salaries	116,711	116,711	130,825	(14,114)
Office Supplies	100	100	77	23
Other supplies	150	150	51	99
Non-capital equipment	2,000	2,000	2,192	(192)
Education & training	500	500	152	348
Donations	4,000	4,000	4,278	(278)
Expense account	4,000	4,000	4,388	(388)
Grants and other reimbursable expenses	-	-	6,672	(6,672)
Total Mayor	127,461	127,461	148,635	(21,174)
City council				
Salaries	14,700	14,700	14,700	-
Camera operator	6,860	6,860	6,860	-
General (video)	500	500	-	500
Total city council	22,060	22,060	21,560	500
City clerk				
Salaries	128,433	128,433	129,417	(984)
Overtime	-	-	144	(144)
Dues/subscriptions	520	520	-	520
Non-capital equipment	500	500	-	500
Other professional services	36,000	36,000	26,795	9,205
Education & training	-	-	560	(560)
Chrater review committee	5,000	5,000	2,580	2,420
Total city clerk	170,453	170,453	159,496	10,957
Personnel				
Salaries	82,950	82,950	84,166	(1,216)
Personnel overtime	-	-	224	(224)
Non capital equipment	600	600	57	543
Other professional services	2,500	2,500	2,587	(87)
Education & training	1,000	1,000	467	533
Testing	4,000	4,000	5,589	(1,589)
Total personnel	91,050	91,050	93,090	(2,040)
Legal				
Salaries	129,531	129,531	112,176	17,355
Office	-	-	5	(5)
Dues/subscriptions	900	900	650	250
Other professional services	-	-	253,408	(253,408)
Education & training	500	500	143	357
Expense account	-	-	135	(135)
Total legal	130,931	130,931	366,517	(235,586)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Tax assessor				
Salaries	83,099	83,099	87,295	(4,196)
Overtime	-	-	1,259	(1,259)
Longevity Pay	2,042	2,042	1,730	312
Dues/subscriptions	825	825	750	75
Advertising	820	820	-	820
Other professional services	9,875	9,875	8,362	1,513
Meetings & Conferences	150	150	-	150
Revaluation service	11,000	11,000	9,982	1,018
Total tax assessor	107,811	107,811	109,378	(1,567)
Finance				
Salaries	235,022	235,022	281,604	(46,582)
Overtime	-	-	3,145	(3,145)
Postage	22,500	22,500	18,786	3,714
Dues/subscriptions	50	50	-	50
Non-capital equipment	1,000	1,000	12,974	(11,974)
Collection agency	7,500	7,500	7,142	358
Accounting/auditing	30,000	30,000	25,000	5,000
Other professional services	48,000	48,000	43,238	4,762
Total finance	344,072	344,072	391,889	(47,817)
Board of canvassers				
Salaries	50,936	50,936	52,112	(1,176)
City sergeant	2,142	2,142	2,142	-
Election workers	15,200	15,200	7,400	7,800
Office supplies	200	200	211	(11)
Advertising	770	770	571	199
Meetings & Conferences	140	140	40	100
Total board of canvassers	69,388	69,388	62,476	6,912
City property				
Salaries	62,223	62,223	61,612	611
Overtime	-	-	1,440	(1,440)
Longevity	-	-	1,540	(1,540)
Clothing	400	400	400	-
Office supplies	20,000	20,000	12,892	7,108
Other supplies	3,000	3,000	1,448	1,552
Janitorial Supplies	3,000	3,000	2,286	714
Heating	10,500	10,500	11,715	(1,215)
Dues/Subscriptions	8,000	8,000	1,760	6,240
Non-capital equipment	1,000	1,000	1,826	(826)
Telephone (Other)	20,000	20,000	45,607	(25,607)
Telephone (Police)	14,000	14,000	16,331	(2,331)
Telephone (Fire)	14,000	14,000	10,622	3,378
Telephone (Highway)	14,000	14,000	5,242	8,758
Advertising	11,000	11,000	16,444	(5,444)
Electric-Other	38,000	38,000	47,799	(9,799)
Electric-Police	19,000	19,000	18,218	782
Electric-Fire	19,000	19,000	18,189	811
Electric-Highway	19,000	19,000	9,227	9,773
General R & M	5,000	5,000	1,524	3,476
Travel cost	1,500	1,500	68	1,432
Water	15,000	15,000	13,150	1,850
Consulting services	15,000	15,000	47,855	(32,855)
Contracts, R & M	25,000	25,000	28,390	(3,390)
General liability insurance	207,907	207,907	214,185	(6,278)
Workers compensation	106,519	106,519	58,687	47,832
Misc. city property	5,000	5,000	7,590	(2,590)
Total city property	657,049	657,049	656,047	1,002

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
City boards				
Pension board	675	675	506	169
Personnel board	675	675	675	-
Library board	675	675	675	-
Purchasing board	675	675	619	56
Appeals board	900	900	563	337
Recreation board	675	675	675	-
Planning board	1,125	1,125	844	281
Zoning board	1,750	1,750	1,500	250
Canvassers board	2,100	2,100	2,100	-
Housing authority board	2,750	2,750	1,705	1,045
Total city boards	12,000	12,000	9,862	2,138
Total general government	1,732,275	1,732,275	2,018,950	(286,675)
PUBLIC SAFETY				
Police department				
Salaries	2,238,524	2,238,524	2,192,762	45,762
Police trainee wages	-	-	9,000	(9,000)
Parking violations officer	15,080	15,080	1,884	13,196
Overtime	150,000	150,000	240,526	(90,526)
Holiday pay	119,019	119,019	100,260	18,759
Longevity pay	82,804	82,804	12	82,792
Clerk longevity pay	2,457	2,457	4,410	(1,953)
Dispatchers Longevity	3,200	3,200	4,900	(1,700)
Clothing/tool allowances	113,975	113,975	60,608	53,367
Office supplies	5,000	5,000	3,653	1,347
Other supplies	3,000	3,000	661	2,339
Heating fuel	7,600	7,600	18,017	(10,417)
Vehicle fuel	120,000	120,000	79,237	40,763
Detective supplies	6,000	6,000	4,257	1,743
Non-capital equipment	4,000	4,000	4,011	(11)
General R & M	18,000	18,000	18,355	(355)
Vehicle R & M	40,000	40,000	32,378	7,622
Other professional services	37,000	37,000	35,109	1,891
Finger printing	2,500	2,500	3,090	(590)
Education & training	10,000	10,000	9,602	398
College tuitions	30,000	30,000	21,654	8,346
State incentive	14,130	14,130	3,500	10,630
Special Investigations	25,000	25,000	24,872	128
Code Compliance	30,000	30,000	16,255	13,745
Total police department	3,077,289	3,077,289	2,889,013	188,276
Fire department				
Salaries	1,906,478	1,906,478	2,028,818	(122,340)
Fire trainee wages	2,400	2,400	-	2,400
Overtime	100,000	100,000	408,663	(308,663)
Holiday pay	112,672	112,672	109,997	2,675
Longevity pay	86,992	86,992	84,316	2,676
Out of rank pay	20,000	20,000	29,728	(9,728)
Rescue pay	14,560	14,560	14,580	(20)
Fire EMT - Cardiac	42,120	42,120	44,820	(2,700)
Mechanics pay	7,280	7,280	7,280	-
Clothing/tool allowance	82,950	82,950	84,410	(1,460)
Other supplies	25,000	25,000	25,051	(51)
Heating fuel	15,000	15,000	14,702	298
Vehicle fuel	8,000	8,000	19,341	(11,341)
Dues/subscriptions	-	-	-	-
Non-capital equipment	15,000	15,000	15,811	(811)
General R & M	7,000	7,000	7,174	(174)
Vehicle R & M	27,000	27,000	38,168	(11,168)
Other professional services	5,000	5,000	4,987	13
Education & training	3,000	3,000	2,025	975
State incentive	5,927	5,927	-	5,927
Total fire department	2,486,379	2,486,379	2,939,871	(453,492)

CITY OF CENTRAL FALLS

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GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Probate court				
Salaries	7,309	7,309	7,309	-
Total probate court	7,309	7,309	7,309	-
Municipal court				
Salaries	62,042	62,042	60,676	1,366
Overtime	-	-	2,588	(2,588)
Longevity Pay	1,494	1,494	1,577	(83)
Office supplies	1,500	1,500	1,244	256
Other Professional Services	4,600	4,600	4,455	145
Total municipal court	69,636	69,636	70,540	(904)
Animal control				
Salaries	15,080	15,080	1,679	13,401
Clothing/tool allowance	350	350	-	350
Non-capital equipment	800	800	-	800
Boarding of animals	6,000	6,000	-	6,000
Total animal control	22,230	22,230	1,679	20,551
Inspection officers				
Plumbing officer	4,323	4,323	4,323	-
License officer	4,323	4,323	4,323	-
Electrical inspector	4,323	4,323	4,323	-
Total inspection officers	12,969	12,969	12,969	-
Code Enforcement				
Salaries	159,952	159,952	162,106	(2,154)
Overtime	-	-	1,375	(1,375)
Longevity pay	2,457	2,457	2,590	(133)
Clothing	400	400	508	(108)
Other supplies	1,000	1,000	8	992
Dues & subscriptions	200	200	-	200
Non-capital equipment	1,000	1,000	-	1,000
Other Professional Services	1,500	1,500	1,399	101
Education & training	1,000	1,000	-	1,000
Property protection	10,000	10,000	729,936	(719,936)
Total code enforcement	177,509	177,509	897,922	(720,413)
Total public safety	5,853,321	5,853,321	6,819,303	(965,982)
PUBLIC WORKS				
Highway department				
Salaries	613,088	613,088	699,304	(86,216)
Overtime	20,000	20,000	46,379	(26,379)
Mechanical operators	-	-	3,100	(3,100)
Longevity pay	24,668	24,668	31,686	(7,018)
Specialty pay	520	520	520	-
Clothing/tool allowance	3,575	3,575	3,993	(418)
Other supplies	3,000	3,000	2,227	773
Heating fuel	7,500	7,500	6,527	973
Vehicle Fuel	38,000	38,000	39,147	(1,147)
Non-capital equipment	2,500	2,500	8,871	(6,371)
Winter road supplies	13,500	13,500	13,810	(310)
General R & M	7,500	7,500	6,931	569
Vehicle R & M	52,200	52,200	63,892	(11,692)
Road R & M	22,500	22,500	9,092	13,408
Education & training	500	500	518	(18)
Water Lines R & M	-	-	982	(982)
Traffic Signal R & M	6,000	6,000	2,936	3,064
Rentals	-	-	3,050	(3,050)
Misc. Highway	3,000	3,000	2,675	325
Total highway department	818,051	818,051	945,640	(127,589)

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Public works obligations				
Hydrants	126,616	126,616	67,070	59,546
Sewer/ NBC	22,065	22,065	16,515	5,550
Solid waste removal/disposal	145,000	145,000	132,330	12,670
Street lights	132,824	132,824	143,971	(11,147)
Total public works obligations	426,505	426,505	359,886	66,619
Total public works	1,244,556	1,244,556	1,305,526	(60,970)
PUBLIC EDUCATION				
Library				
Salaries	159,313	159,313	164,642	(5,329)
Overtime	-	-	1,643	(1,643)
Longevity	5,747	5,747	2,121	3,626
Office supplies	4,000	4,000	2,904	1,096
Other supplies	1,000	1,000	1,412	(412)
Heating fuel	10,500	10,500	7,753	2,747
Dues/subscriptions	2,375	2,375	1,898	477
Non-Capital Equipment	2,000	2,000	94	1,906
Books	6,000	6,000	6,000	-
Electric	7,000	7,000	3,190	3,810
Other professional services	10,000	10,000	5,203	4,797
Education & training	1,000	1,000	64	936
Total public education	208,935	208,935	196,924	12,011
PUBLIC RECREATION				
Recreation				
Salaries	99,878	99,878	116,267	(16,389)
Other supplies	5,000	5,000	4,945	55
General R & M	7,000	7,000	6,883	117
Other professional services	6,000	6,000	4,570	1,430
Public events & activities	1,000	1,000	171	829
Team subsidy	3,500	3,500	2,873	627
Misc. recreation	4,000	4,000	3,723	277
Total recreation	126,378	126,378	139,432	(13,054)
Celebrations				
Decorations	1,000	1,000	570	430
Veterans Council	1,000	1,000	2,225	(1,225)
Community activities	10,400	10,400	10,379	21
Sponsorships	200	200	-	200
Special events	10,000	10,000	38	9,962
Total celebrations	22,600	22,600	13,212	9,388
Planning				
Salaries	44,676	44,676	46,343	(1,667)
Total planning	44,676	44,676	46,343	(1,667)
CHANNEL ONE				
Salaries	172,450	172,450	124,228	48,222
RJH community center	40,500	40,500	-	40,500
Total Channel One	212,950	212,950	124,228	88,722
Total public recreation	406,604	406,604	323,215	83,389

CITY OF CENTRAL FALLS

D-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
MUNICIPAL DEBT SERVICE				
Issuance Costs	-	-	-	-
Bond principal	1,405,000	1,405,000	1,405,000	-
Bond interest	899,078	899,078	899,075	3
Note interest	-	-	112,173	(112,173)
Paying agency fees	5,000	5,000	2,800	2,200
Lease purchase	179,258	179,258	176,767	2,491
Total municipal debt service	2,488,336	2,488,336	2,595,815	(107,479)
CONTINGENCY				
Legal contingencies	62,000	62,000	208,704	(146,704)
Contingent/salaries	53,182	53,182	-	53,182
General contingencies	50,000	50,000	37,971	12,029
Total contingency	165,182	165,182	246,675	(81,493)
EMPLOYEE BENEFITS				
Social security 6.2%	163,590	163,590	172,612	(9,022)
Medicare 1.45%	93,620	93,620	106,815	(13,195)
Municipal State pension	225,212	225,212	199,724	25,488
Compensated absences	160,000	160,000	116,744	43,256
Unemployment compensation	126,696	126,696	70,520	56,176
Medical insurance	3,120,000	3,120,000	2,801,302	318,698
Dental insurance	142,799	142,799	124,046	18,753
Public safety pension	400,000	400,000	-	400,000
Injuries/medical	5,000	5,000	5,496	(496)
Total employee benefits	4,436,917	4,436,917	3,597,259	839,658
RETIREMENT				
Police retirement	616,800	616,800	616,800	-
Fire retirement	627,312	627,312	643,518	(16,206)
Total retirement	1,244,112	1,244,112	1,260,318	(16,206)
MAJOR PURCHASES				
Improvements (other than bldg.)	-	-	70,612	(70,612)
Machinery & equipment	-	-	-	-
Total major purchases	-	-	70,612	(70,612)
Total expenditures	17,780,238	17,780,238	18,434,597	(654,359)
Other financing sources (use)				
Lease proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	(2,304,073)	\$ (2,304,073)
Adjustments required under generally accepted accounting principles:				
Property tax revenue - sixty day rule			150,941	
Prior years property tax revenue - sixty day rule			(189,463)	
			<u>\$ (2,342,595)</u>	

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF CENTRAL FALLS

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010**

	CDBG Revolving	CDBG 2003	CDBG 2004	CDBG 2005	CDBG 2006	CDBG 2007	CDBG 2008	CDBG 2009	UDAG Revolving Loan Fund	Home	ED	EDI Community Center
ASSETS												
Cash and cash equivalents	\$ 545,140				\$ 20,000	\$ 40,271		\$ 298,000	\$ 146,873	\$ 60,365	\$ 404,632	
Due from federal and state governments												
Accounts receivable												
Due from other funds	112,346	\$ 3				1		4,949				
TOTAL ASSETS	657,486	3	\$ -	\$ -	20,000	40,272	\$ -	302,949	146,873	60,365	404,632	\$ -
LIABILITIES												
Accounts payable												
Due to other funds					20,000	543		64,848	1,100	1,500		
Deferred revenue		3	-	-		39,728		238,101				
TOTAL LIABILITIES	-	3	-	-	20,000	40,271	-	302,949	1,100	1,500	-	-
FUND BALANCE												
Capital Projects												
Special Revenue	657,486	-	-	-	-	1	-	-	145,773	58,865	404,632	-
Expendable Trust												
TOTAL FUND BALANCE	\$ 657,486	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 145,773	\$ 58,865	\$ 404,632	\$ -

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2010**

	CDBG Revolving	CDBG 2003	CDBG 2004	CDBG 2005	CDBG 2006	CDBG 2007	CDBG 2008	CDBG 2009	UDAG Revolving Loan Fund	Home	ED	EDI Community Center
Revenues:												
Interest and investment income	\$ 1,065								\$ 386	\$ 155	\$ 1,079	
Licenses, fees, permits and fines												
Intergovernmental			\$ 12,581	\$ 45,000	\$ 20,000	\$ 180,272	\$ 390,000	\$ 209,899				\$ 145,424
Other	1,000								1,227			
Total revenues	2,065	-	12,581	45,000	20,000	180,272	390,000	209,899	1,613	155	1,079	145,424
Expenditures:												
General government						45,271	182,037	209,899	6,172	1,500	57,000	
Public safety												
Recreation												
Capital outlays			12,583	45,000	20,000	135,000						145,424
Total expenditures & capital outlays	-	-	12,583	45,000	20,000	180,271	182,037	209,899	6,172	1,500	57,000	145,424
Excess of revenue over (under) expenditures before transfers	2,065	-	(2)	-	-	1	207,963	-	(4,559)	(1,345)	(55,921)	-
Other financing sources (uses):												
Proceeds from sale of assets												
Proceeds from capital leases												
Proceeds from bonds												
Transfers in												
Transfers out												
Net other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	2,065	-	(2)	-	-	1	207,963	-	(4,559)	(1,345)	(55,921)	-
Fund balance, beginning of the year	655,421	-	2	-	-	-	(207,963)	-	150,332	60,210	460,553	-
Fund balance, end of the year	\$ 657,486	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 145,773	\$ 58,865	\$ 404,632	\$ -

CITY OF CENTRAL FALLS
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	RI Department of Transportation	Grant In Aid	Champlin Grant	RI Foundation	Recreation Summer Lunch Program	Community Activities	Community Policing	Police C.A.R.E.	DARE Program	Animal Control	Police Special Accounts	JAG Grant
ASSETS												
Cash and cash equivalents		\$ 4,609	\$ 30,932	\$ 104		\$ 1,852	\$ 1,106	\$ 26,266	\$ 1,167	\$ 1,704	\$ 94,269	
Due from federal and state governments	\$ 27,498							8,178			1,300	
Accounts receivable												
Due from other funds		59,065		5,850							6,800	
TOTAL ASSETS	27,498	63,674	30,932	5,954	\$ -	1,852	1,106	34,444	1,167	1,704	102,369	\$ -
LIABILITIES												
Accounts payable		31,254	20,850					7,054			23,878	
Due to other funds	27,498		2,332			1,852	1,106	12,606	1,167	1,704	25,740	
Deferred revenue		1,936	7,750	5,954								
TOTAL LIABILITIES	27,498	33,190	30,932	5,954	-	1,852	1,106	19,660	1,167	1,704	49,618	-
FUND BALANCE												
Capital Projects												
Special Revenue	-	30,484	-	-	-	-	-	14,784	-	-	52,751	-
Expendable Trust												
TOTAL FUND BALANCE	\$ -	\$ 30,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,784	\$ -	\$ -	\$ 52,751	\$ -

CITY OF CENTRAL FALLS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2010

	RI Department of Transportation	Grant In Aid	Champlin Grant	RI Foundation	Recreation Summer Lunch Program	Community Activities	Community Policing	Police C.A.R.E.	DARE Program	Animal Control	Police Special Accounts	JAG Grant
Revenues:												
Interest and investment income		\$ 2	\$ 297			\$ 4	\$ 2	\$ 312	\$ 3	\$ 4	\$ 980	
Licenses, fees, permits and fines								36,470				
Intergovernmental	27,498	76,210	26,385		\$ 96,395			23,151			34,301	\$ 164,986
Other										640	4,694	
Total revenues	27,498	76,212	26,682	\$ -	96,395	4	2	59,933	3	644	39,975	164,986
Expenditures:												
General government		71,024					394					
Public safety								54,312	1,950	2,004	28,235	24,494
Recreation					74,588	1,853						
Capital outlays	27,498		26,682					14,234			20,110	140,492
Total expenditures & capital outlays	27,498	71,024	26,682	-	74,588	1,853	394	68,546	1,950	2,004	48,345	164,986
Excess of revenue over (under) expenditures before transfers	-	5,188	-	-	21,807	(1,849)	(392)	(8,613)	(1,947)	(1,360)	(8,370)	-
Other financing sources (uses):												
Proceeds from sale of assets												
Proceeds from capital leases												
Proceeds from bonds												
Transfers in												
Transfers out					(21,807)							
Net other financing sources (uses)	-	-	-	-	(21,807)	-	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	5,188	-	-	-	(1,849)	(392)	(8,613)	(1,947)	(1,360)	(8,370)	-
Fund balance, beginning of the year	-	25,296	-	-	-	1,849	392	23,397	1,947	1,360	61,121	-
Fund balance, end of the year	\$ -	\$ 30,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,784	\$ -	\$ -	\$ 52,751	\$ -

CITY OF CENTRAL FALLS

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010**

	Kennedy Grants	Zoning Account	Fire Equipment	Fire Prevention	Public Rescue	Capital School Reserve	Homeland Security	Rural Grants	Emergency Equipment Replacement	Recycling Account	Police Vehicle Maintenance
ASSETS											
Cash and cash equivalents		\$ 42,499	\$ 22,333	\$ 15,242	\$ 70,316	\$ 504,055		\$ 18,024	\$ 144,667	\$ 11,152	
Due from federal and state governments							\$ 73,198				
Accounts receivable											
Due from other funds	\$ 253				78,472	24,069		47	35,398	589	\$ 10,594
TOTAL ASSETS	253	42,499	22,333	15,242	148,788	528,124	73,198	18,071	180,065	11,741	10,594
LIABILITIES											
Accounts payable			824		1,615		73,198	7,513			
Due to other funds		5,260	4,681	11,394				10,511	35,824	2,518	
Deferred revenue	253		1,948							9,205	
TOTAL LIABILITIES	253	5,260	7,453	11,394	1,615	-	73,198	18,024	35,824	11,723	-
FUND BALANCE											
Capital Projects											
Special Revenue	-	37,239	14,880	3,848	147,173	528,124	-	47	144,241	18	10,594
Expendable Trust											
TOTAL FUND BALANCE	\$ -	\$ 37,239	\$ 14,880	\$ 3,848	\$ 147,173	\$ 528,124	\$ -	\$ 47	\$ 144,241	\$ 18	\$ 10,594

CITY OF CENTRAL FALLS

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2010**

	Kennedy Grants	Zoning Account	Fire Equipment	Fire Prevention	Public Rescue	Capital School Reserve	Homeland Security	Rural Grants	Emergency Equipment Replacement	Recycling Account	Police Vehicle Maintenance
Revenues:											
Interest and investment income		\$ 21	\$ 348	\$ 599	\$ 28	\$ 1,296			\$ 253	\$ 58	\$ 12,004
Licenses, fees, permits and fines			25,120	4,530							4,672
Intergovernmental					158,027		\$ 73,198	\$ 47,144		8,420	
Other		1,045			167,857						
Total revenues	\$ -	1,066	25,468	5,129	325,912	1,296	73,198	47,144	253	8,478	16,676
Expenditures:											
General government		126									
Public safety			22,743	4,693	12,194						
Recreation							73,198	47,097			53,740
Capital outlays							73,198	47,097			53,740
Total expenditures & capital outlays	-	126	22,743	4,693	12,194	-	73,198	47,097	-	-	53,740
Excess of revenue over (under) expenditures before transfers	-	940	2,725	436	313,718	1,296	-	47	253	8,478	(37,064)
Other financing sources (uses):											
Proceeds from sale of assets											
Proceeds from capital leases											
Proceeds from bonds											
Transfers in											
Transfers out					(227,216)						
Net other financing sources (uses)	-	-	-	-	(227,216)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	940	2,725	436	86,502	1,296	-	47	253	8,478	(37,064)
Fund balance, beginning of the year	-	36,299	12,155	3,412	60,671	526,828	-	-	143,988	(8,460)	47,658
Fund balance, end of the year	\$ -	\$ 37,239	\$ 14,880	\$ 3,848	\$ 147,173	\$ 528,124	\$ -	\$ 47	\$ 144,241	\$ 18	\$ 10,594

CITY OF CENTRAL FALLS

*Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010*

	Property Development	Recreation Capital	Capital Reserve	Capital Lease	Cops Grant	Byrne Grant	Obama Roads	\$10 Million Muni Bond	Historic Trust	Lysander Flag Memorial Fund	GRAND TOTALS
ASSETS											
Cash and cash equivalents	\$ 390	\$ 9,204		\$ 4,634				\$ 623,689	\$ 38,091	\$ 101,850	\$ 2,907,141
Due from federal and state governments					\$ 12,118		175,000				673,587
Accounts receivable											
Due from other funds	160,789	130	2,902	99,478				273	4,993	25	607,026
TOTAL ASSETS	161,179	9,334	2,902	104,112	12,118	-	175,000	623,962	43,084	101,875	4,187,754
LIABILITIES											
Accounts payable											167,686
Due to other funds		8,655		7,565	12,118		\$ 175,000	\$ 126,395		3,026	563,443
Deferred revenue	1,160	300								2,259	308,597
TOTAL LIABILITIES	1,160	8,955	-	7,565	12,118	-	175,000	126,395	-	5,285	1,039,726
FUND BALANCE											
Capital Projects	160,019	379	2,902	96,547				497,567			757,414
Special Revenue											2,250,940
Expendable Trust									43,084	96,590	139,674
TOTAL FUND BALANCE	\$ 160,019	\$ 379	\$ 2,902	\$ 96,547	\$ -	\$ -	\$ -	\$ 497,567	\$ 43,084	\$ 96,590	\$ 3,148,028

CITY OF CENTRAL FALLS

*Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2010*

	Property Development	Recreation Capital	Capital Reserve	Capital Lease \$800,000	Cops Grant	Byrne Grant	Obama Roads	\$10 Million Muni Bond	Historic Trust	Lysander Flag Memorial Fund	GRAND TOTALS
Revenues:											
Interest and investment income		\$ 5		\$ 10				\$ 1,810	\$ 99	\$ 131	\$ 8,947
Licenses, fees, permits and fines											78,124
Intergovernmental					\$ 35,882	\$ 56,197	\$ 175,000				1,984,257
Other		130							10,701	25	213,704
Total revenues	\$ -	135	\$ -	10	35,882	56,197	175,000	1,810	10,800	156	2,285,032
Expenditures:											
General government		4,863							5,704	-	583,990
Public safety					35,882						186,507
Recreation											76,441
Capital outlays						56,197	175,000				992,255
Total expenditures & capital outlays	-	4,863	-	-	35,882	56,197	175,000	-	5,704	-	1,839,193
Excess of revenue over (under) expenditures before transfers	-	(4,728)	-	10	-	-	-	1,810	5,096	156	445,839
Other financing sources (uses):											
Proceeds from sale of assets											-
Proceeds from capital leases											-
Proceeds from bonds											-
Transfers in											(249,023)
Transfers out											(249,023)
Net other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	(249,023)
Excess of revenues and other sources over (under) expenditures and other uses	-	(4,728)	-	10	-	-	-	1,810	5,096	156	196,816
Fund balance, beginning of the year	160,019	5,107	2,902	96,537	-	-	-	495,757	37,988	96,434	2,951,212
Fund balance, end of the year	\$ 160,019	\$ 379	\$ 2,902	\$ 96,547	\$ -	\$ -	\$ -	\$ 497,567	\$ 43,084	\$ 96,590	\$ 3,148,028

PENSION TRUST FUNDS

CITY OF CENTRAL FALLS

F - 1

**Combining Statement of Net Assets
Pension Trusts
June 30, 2010**

	<u>Fire Pension Fund 1%</u>	<u>Police Pension Fund 1%</u>	<u>Police & Fire Pension Fund (John Hancock)</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 588,693	\$ 634,049		\$ 1,222,742
Investments			\$ 6,787,520	6,787,520
Other receivables	16,206	28,946	18,360	63,512
Accrued interest receivable		238		238
Total Assets	<u>604,899</u>	<u>663,233</u>	<u>6,805,880</u>	<u>8,074,012</u>
LIABILITIES				
	<u>13,535</u>	-	-	<u>13,535</u>
NET ASSETS				
Held in Trust for pension benefits	<u>\$ 591,364</u>	<u>\$ 663,233</u>	<u>\$ 6,805,880</u>	<u>\$ 8,060,477</u>

**Combining Statement of Changes in Net Assets
Pension Trusts
For the year ended June 30, 2010**

	Fire Pension Fund 1%	Police Pension Fund 1%	Police & Fire Pension Fund (John Hancock)	Totals
ADDITIONS:				
Contributions	\$ 643,518	\$ 616,800	\$ 277,972	\$ 1,538,290
Investment income	6,375	2,119	861,130	869,624
Other income			32,982	32,982
DEDUCTIONS:				
Trust expenses	645,682	614,636	1,854,653	3,114,971
CHANGE IN NET ASSETS	<u>4,211</u>	<u>4,283</u>	<u>(682,569)</u>	<u>(674,075)</u>
Net assets - beginning	<u>587,153</u>	<u>658,950</u>	<u>7,488,449</u>	<u>8,734,552</u>
Net assets - ending	<u>\$ 591,364</u>	<u>\$ 663,233</u>	<u>\$ 6,805,880</u>	<u>\$ 8,060,477</u>

AGENCY FUNDS

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSET				
Cash	\$ 32,137	\$ 90	\$ 7	\$ 32,220
LIABILITY				
Deposits Held in Custody for Others	\$ 32,137	\$ 83	\$ -	\$ 32,220
<u>Highway Clothing</u>				
ASSET				
Other receivables	9,922	-	9,922	-
	\$ 9,922	\$ -	\$ 9,922	\$ -
LIABILITIES				
Deposits Held in Custody for Others	9,922	-	9,922	-
Total Liabilities	\$ 9,922	\$ -	\$ 9,922	\$ -
<u>Totals</u>				
ASSET				
Cash	\$ 32,137	\$ 90	\$ 7	\$ 32,220
Other receivables	9,922	-	9,922	-
TOTAL ASSETS	\$ 42,059	\$ 90	\$ 9,929	\$ 32,220
LIABILITIES				
Deposits Held in Custody for Others	42,059	83	9,922	32,220
TOTAL LIABILITIES	\$ 42,059	\$ 83	\$ 9,922	\$ 32,220

CITY OF CENTRAL FALLS

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2010**

<u>Assessment of</u>	<u>Balance Uncollected July 1, 2009</u>	<u>2009 Assessment</u>	<u>Additions & Adjustments</u>	<u>Abatements</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2010</u>
2009		\$ 10,570,404	\$ 1,315	\$ (21,722)	\$ 10,549,997	\$10,094,958	\$ 455,039
2008	\$ 434,570		218	(1,719)	433,069	261,397	171,672
2007	173,672				173,672	20,124	153,548
2006	100,229				100,229	9,747	90,482
2005	77,614				77,614	5,166	72,448
2004	68,865				68,865	1,770	67,095
2003	67,881				67,881	321	67,560
2002	71,457				71,457	108	71,349
2001	79,770				79,770	1,000	78,770
2000	63,575				63,575	402	63,173
1999	84,782				84,782	235	84,547
1998	109,228				109,228	72	109,156
1997	105,257				105,257	65	105,192
1996	115,531				115,531	118	115,413
1995 and prior	297,303				297,303	131	297,172
	1,849,734	\$ 10,570,404	\$ 1,533	\$ (23,441)	\$ 12,398,230	\$ 10,395,614	2,002,616
Less: allowance for uncollectible accounts	(712,100)						(711,480)
	<u>\$ 1,137,634</u>						<u>\$ 1,291,136</u>

Schedule of property valuation assessed as of December 31, 2008:

Real estate	\$ 9,737,083
Motor vehicles	1,827,640
Tangibles	893,352
Less: exemptions	(1,887,671)
	<u>\$ 10,570,404</u>